

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 CIAE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 STR-01 CEA-01 NEA-09 IO-10 /098 W

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R 060821Z MAR 75

FM AMCONSUL HONG KONG

TO AMEMBASSY MANILA

INFO SECSTATE WASHDC 4058

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FOR USADB; DEPARTMENT FOR NAC AGENCIES

E.O. 11652: N/A

TAGS: EAID, EFIN, BEXP

SUBJ: PROBLEM OF RELATIVELY LOW US PROCUREMENT FROM ADB-FINANCED
PROJECTS

REF: MANILA 1818

SUMMARY: CONGEN PLEASED CONTRIBUTE ITS VIEWS ON PROBLEM
OF RELATIVELY LOW US COMPANY PARTICIPATION IN ADB-
FINANCED PROJECTS. ALTHOUGH ANALYZING ADEQUACY OF
INFORMATION DISSEMINATION PROCESS IS IMPORTANT, WE
BELIEVE USADB INQUIRY AND REMEDIAL ACTION SHOULD ALSO
FOCUS ON QUESTION OF WHY WELL-INFORMED COMPANIES FAIL TO
PURSUE ADB PROJECTS.

1. SINCE WE ARE GENERALLY SATISFIED HERE WITH THE FLOW
OF INFORMATION FROM USADB TO COMPANIES, WE HAVE GONE
BEYOND THE QUESTION OF INFORMATION FLOWS TO SUGGEST THAT
A GOOD PART OF SUBJECT PROBLEM MAY LIE IN THE KINDS OF
UNSEEN COMPETITIVE METHODS OFTEN RESORTED TO IN PROJECTS
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FINANCED BY ADB AND OTHER INTERNATIONAL AGENCIES. ALL

TOO OFTEN, WE BELIEVE A US COMPANY'S ABILITY TO COMPETE HAS BEEN THWARTED OR DIMINISHED BECAUSE THE UNDERLYING PROJECT PLANS AND SPECIFICATIONS HAVE BEEN PRECONDITIONED TO FAVOR COMPETING COUNTRIES. THIS MAY TAKE MANY FORMS -- E. G. SPECIFYING QUALITY STANDARDS BELOW THOSE OF US MANUFACTURED EQUIPMENT WITH RESULT THAT HIGHER US PRICES FOR HIGHER QUALITY SPECIFICATIONS CANNOT COMPETE WITH LOWER PRICES FOR LOWER-QUALITY SPECIFICATIONS. THE FACT IS THAT TOO OFTEN LOWER QUALITY SPECIFICATIONS ARE IMPOSED WITHOUT THE BUYING COUNTRY REALIZING THE LONGER TERM OPERATING AND MAINTENANCE ADVANTAGES OF THE HIGHER QUALITY SPECIFICATIONS.

2. BROAD GENERALIZATIONS ARE INDEED RISKY IN DEALING WITH THE COMPLEX NATURE AND WIDE VARIETY OF ADB PROJECTS, COUNTRIES, PARTICIPATING COMPANIES, ETC. HOWEVER, ON THE BASIS OF THE CUMULATIVE EXPERIENCE OF OUR COMMERCIAL OFFICERS HERE AND AT OTHER POSTS, AND WASHINGTON, WE BELIEVE THAT A SOPHISTICATED INQUIRY WOULD POINT UP THE EXTENT TO WHICH THE AFOREMENTIONED PROBLEM AFFECTS THE INTEREST AND ABILITY OF US COMPANIES TO PURSUE ADB PROJECTS.

3. ASSUMING ADB'S INQUIRY CONFIRMS THIS HYPOTHESIS, THEN WE ARE FACED WITH ASCERTAINING HOW AND WHY THIS SITUATION COMES ABOUT. IS IT THE RESULT OF CONSCIOUS ACTIONS BY OUR COMPETITORS OR BY OTHERS ACTING ON THEIR BEHALF? WHAT ARE THEIR METHODS OF INFLUENCING PROJECT PLANS AND SPECIFICATIONS AND CAN US EFFORTS PREVENT OR ALTER THIS SITUATION?

4. IF USADB WERE TO PURSUE A JOINT INQUIRY AND PLAN FOR REMEDIAL ACTION ON THIS PARTICULAR HYPOTHESIS, WE WOULD SUGGEST THE FOLLOWING KINDS OF INQUIRIES:

A. EVEN BEFORE THE BUYING GOVERNMENT ASKS ADB TO CONSIDER A POTENTIAL PROJECT, IS OUR EMBASSY STAFF THERE ABLE TO TIP OFF THE RIGHT KIND OF ACTIVE AND AGGRESSIVE US COMPANY REPRESENTATIVE EARLY ENOUGH TO ENABLE HIM TO WORK INFORMALLY AND UNOFFICIALLY WITH THAT GOVERNMENT'S TECHNICAL STAFF TO ASSURE THAT PROJECT PLANS AND SPECIFICATIONS WILL FAVOR US COMPANIES, OR AT LEAST, DO NOT FAVOR THEIR COMPETITORS?

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CATIONS WILL FAVOR US COMPANIES, OR AT LEAST, DO NOT FAVOR THEIR COMPETITORS?

B. OR, IF NOT CAUGHT AT THAT STAGE, THEN WHAT ARE THE POSSIBILITIES OF A SMOOTH-WORKING US COMPANY TECHNICAL REPRESENTATIVE BEING TIPPED OFF EARLY ENOUGH BY USADB SO THAT HE MIGHT CONDITION PLANS AND SPECIFICATIONS AT LEAST DURING THE PRELIMINARY CONSIDERATION PHASES OF

POTENTIAL PROJECT BY ADB TECHNICAL STAFF AND BEFORE ADB
EVEN APPROVES FINANCING THE FEASIBILITY STUDY?

C. A LAST CHANCE FOR SUCH AN OPPORTUNITY MAY OCCUR
DURING FINAL FORMULATION OF PLANS AND ENGINEERING SPECIFI-
CATIONS BEFORE THEY ARE APPROVED BY ADB FOR INCORPORATION
IN FORMAL TENDERS. CAN WE WORK WITH APPROPRIATE
COMPANY TECHNICIANS EVEN AT THIS STAGE TO INSURE THAT US
COMPANIES WILL NOT BE PREJUDICED BY FINAL PLANS AND
SPECIFICATIONS?

5. ALTHOUGH ADMITTEDLY NOT EASY, OUR EFFECTIVENESS IN
HELPING TO CONDITION PLANS AND SPECIFICATIONS TO FAVOR
US BIDDERS OR AT LEAST NOT FAVOR OUR COMPETITORS CAN
VITALLY AFFECT THE ABILITY AND INTEREST OF US COMPANIES
TO EVEN BID ON ADB-FINANCED PROJECTS. THIS INVOLVES VERY EARLY
AND AGGRESSIVE TEAM-WORK AMONG EMBASSY, USADB, AND COMPANY
REPRESENTATIVES IN COUNTERING THE KINDS OF UNSEEN
INTERNATIONAL COMPETITIVE MEHOODS RESORTED TO IN THESE PROJECTS.
THE KIND OF IMPLIED ACTION MAY NOT ALWAYS
BE EASY FOR MANY OF US. IT MAY HAVE TO BE UNOFFICIAL
AND UNSEEN AND EVEN, AT TIMES, GO CONTRARY TO OUR NORMAL
DESIRE TO DEAL EQUALLY AND OPENLY WITH ALL INTERESTED
BUSINESSMEN. CAN WE DEVELOP THIS KIND OF FAST-WORKING,
INFORMAL AND UNOFFICIAL GOVERNMENT AND PRIVATE TEAM-WORK
AT BOTH THE COUNTRY AND USADB LEVELS TO COMPETE WITH
THE JAPANESE, AND OTHERS WHO PLAY THIS KIND OF GAME?

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NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 NEA-09

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FOR USADB; DEPARTMENT FOR NAC AGENCIES

6. NO DOUBT THERE ARE OTHER CONTRIBUTING FACTORS TO THIS PROBLEM -- E. G., SOME COMPANIES SAY THEY ARE TURNED OFF BY THE INORDINATE AMOUNT OF RED TAPE INVOLVED IN ADB-FINANCED PROJECTS. IF SO, THIS SHOULD BE SUBJECT TO SOME CORRECTIVE O & M WORK.

7. ON ANOTHER FRONT, WHETHER REAL OR IMAGINARY, US COMPANY REPRESENTATIVES, BASED ON EARLIER ADB RESULTS, BELIEVE THAT THE JAPANESE DOMINATE ADB PROJECTS AND THAT THERE IS LITTLE CHANCE FOR US COMPANIES. A SUCCESSFUL INQUIRY AND/OR ATTACK ON THE ABOVE HYPOTHESIS, COUPLED WITH SOME EFFECTIVE EDUCATIONAL AND MISSIONARY WORK WITH THESE COMPANIES, COULD GO A LONG WAY TOWARD ERADICATING THESE INHIBITING ATTITUDES. CERTAINLY, THE FACT THAT WE ARE GETTING A LARGER SHARE OF THE CONSULTANTS' WORK SHOULD HELP IN THIS REGARD.

8. THERE IS MUCH GOOD HARD WORK INVOLVED IN TACKLING THIS PROBLEM OF RELATIVELY LOW US COMPANY PARTICIPATION IN ADB-FINANCED PROJECTS. IF USADB IS TO BE SUPPORTED

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IN ITS CONCERN FOR REMEDYING THIS PROBLEM, THEN THE COMPLEX VOLUME OF INTENSIVE COMMERCIAL PROJECT WORK INVOLVED CLEARLY JUSTIFIES ASSIGNING A COMMERCIAL OFFICER WITH EXTENSIVE PROJECT EXPERIENCE TO USADB (PER JAKARTA'S 2209). HE SHOULD UNDERTAKE THE KINDS OF INQUIRIES, REMEDIAL ACTION, AND EDUCATIONAL WORK CITED ABOVE AS WELL AS THE CONTINUOUS PROJECT MONITORING, ANALYSIS AND COMPANY CONTACT WORK ALSO OUTLINED IN JAKARTA'S 2209. CONSIDERING THE GROWING BUSINESS POTENTIALS INHERENT IN ADB'S MANY CLIENT COUNTRIES AS WELL AS THE NEGATIVE US PUBLIC AND POLITICAL IMPLICATIONS IF THIS PROBLEM IS NOT RESOLVED (MANILA'S 1818), THEN WE CERTAINLY BELIEVE THAT SUCH AN INVESTMENT OF TIME AND EFFORT WOULD BE HIGHLY DESIRABLE.

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